EDMONTON

Growth

STATE OF THE CITY REPORT

Edmonton, Alberta, Canada

May 2007

7,400ha
RIVER VALLEY

730K
POPULATION

2007
CANADA

Top row: Ron Hayter, Ed Gibbons, Terry Cavanagh, Dave Thiele, Kim Krushell, Karen Leibovici, Bryan Anderson. **Bottom Row:** Linda Sloan, Janice Melnychuk, Mayor Stephen Mandel, Jane Batty, Michael Phair, Mike Nickel.

2008-03228/

Message from

mayor mandel

It's an incredible time to be an Edmontonian. At the centre of Canada's hottest economy and leading in so many fields nationally and around the world, Edmonton has earned the right to be proud.

Edmontonians can look forward to our city increasingly being in the spotlight, as leaders in medicine, research, education, culture and the environment, from cities around the world, seek our expertise and advice.

We were named Canada's Cultural Capital this year and our reputation as a fantastic place to live, work and raise a family, is growing. These are all things we can, and should, boast about.

But confidence can't lead to complacency. With every new opportunity comes new challenge. Even the current boom of our fully-charged economy presents challenges in keeping pace with infrastructure, attracting new workers and maintaining the great quality of life that is so valued by all Edmontonians.

We have to meet these challenges through creative planning, aggressive marketing and a much more cohesive plan that includes all our regional partners. Our economy may put us on the world stage, but only our performance will keep us there.

It's our turn, Edmonton. We're the proud and successful capital of Alberta. We're an economic powerhouse with a great quality of life – a combination unequalled in this country. It's OK to be confident. It's OK to brag a little. We've earned the right.

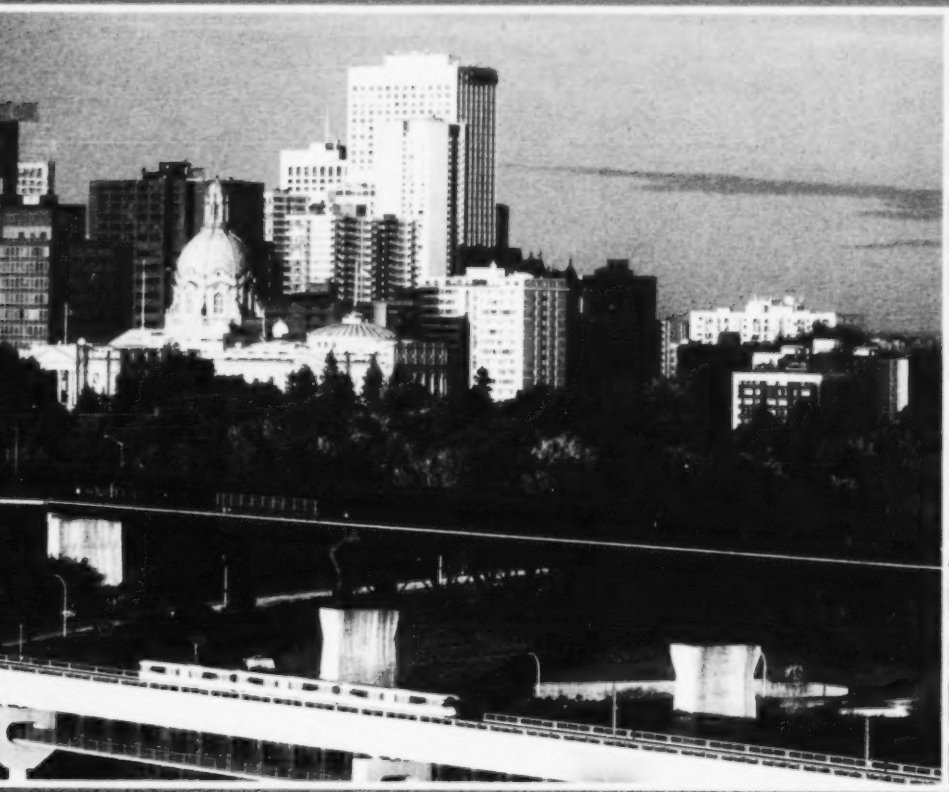
Stephen Mandel

Mayor Stephen Mandel

$383.9M
CONFERENCE IMPACT

30
FESTIVALS

$60M
REVITALIZATION



EDMONTON 2007

CULTURAL CAPITALE CAPITAL CULTURELLE of CANADA de CANADA

Edmonton has been named 2007 Cultural Capital of Canada for its demonstration of leadership and ongoing commitment to the arts and culture.

Edmonton snapshot

Edmonton, Alberta's Capital City, is experiencing unprecedented growth and capturing international attention. Our powerhouse economy, innovative cultural community and environmental leadership combine to produce an incredible quality of life, making us one of the best cities in Canada in which to live, learn, work and play.

The Edmonton region's population swelled to 1.04 million, in a province Statistics Canada reports as enjoying the strongest period of economic growth ever experienced by a Canadian province. Projections anticipate a 230,000 or greater population increase over the next decade.

Edmonton is an energetic city with five professional sports teams, 22 annual, internationally recognized festivals, North America's largest shopping mall and Fort Edmonton, North America's largest interactive historic park. The City of Edmonton also has the largest stretch of urban parkland in North America – the 7,400 hectare North Saskatchewan River Valley home to 22 major parks and over 150 kilometres of recreational trails.

Edmonton has a wealth of diverse and talented poets, singers, dancers, musicians, visual artists, playwrights and actors offering Edmontonians a choice of entertainment and activity throughout the year. It has been named 2007 Cultural Capital of Canada for its demonstration of leadership and ongoing commitment to the arts and culture.

In a city already well known for its acoustically excellent concert hall, the Francis Winspear Centre for Music, and its nationally recognized Citadel Theatre, Edmonton is looking to add another artistic jewel on Sir Winston Churchill Square (Edmonton's main central square) when the stunning reconstruction of the Art Gallery of Alberta opens its doors in 2009.

Edmonton's Shaw Conference Centre opened its new Hall D, a 2499-square meter room that comfortably accommodates 2,000 people in a theatre setting and offers a spectacular view of the Saskatchewan River. The new addition is the first of many new buildings to emerge in Edmonton's Downtown East as the City leads a $60-million revitalization of its historic downtown area.

The Canadian Finals Rodeo enjoyed another record-breaking year in 2006 and the Grand Prix of Edmonton chalked up a thrilling second year. Edmonton rebranded Klondike Days to Capital Ex, a move that reinvigorated the city's largest annual event.

Edmonton is a hotbed of research and innovation. Our National Institute for Nanotechnology makes us the Canadian centre for cutting-edge micro- and nanotechnology research. The Mazankowski Heart Institute, opening in October 2007, will make Edmonton the undisputed heart transplant capital of Canada.

$2.1B

GROWTH

3.5%

EDMONTON

$3.6B

CONSTRUCTION

Seven Edmonton-area companies were recognized as members of the prestigious Canada's 50 Best Managed Companies having demonstrated long-term superior performance in every aspect of business. They are:

- PCL Construction Group of Companies (Construction)
- Design Group Staffing Inc. (Human Resources)
- Fountain Tire (Retail)
- Commercial Solutions Inc. (Industrial Distribution)
- CCI Thermal Technologies Inc. (Manufacturing)
- Walward Steel Fabricators Ltd. (Manufacturing)
- IFS Voyages Inc. (Travel & Tourism)

Economic climate

The City of Edmonton, which serves as a global port to more than $100 billion of oil sands investment, has benefited from the economic spin offs from energy investments, strong population growth and consumer spending.

In 2006, crude oil rose to an average price of $68 per barrel. Higher oil prices increased the viability of oil sands projects in Northern Alberta and also spurred increased activity in the area of refining. As many as 10 proposed upgrading sites are planned for just north of Edmonton.

Greater Edmonton's economic growth rate reached 5.5 per cent or $2.1 billion in 2006. Edmonton's Gross Domestic Product (GDP) climbed to $42 billion – one of the largest increases in history, with projections of an additional 4.5 per cent, or a $1.9 billion jump in economic growth in 2007.

Even with a low unemployment rate of 3.5 per cent, Edmonton's construction industry has boomed in the Greater Edmonton area with a record breaking 15,000 new housing starts recorded for the year. More than $2.3 billion worth of building permits were issued in the City of Edmonton alone. Housing prices increased 40 per cent in 2006 over 2005.

Edmonton International Airport became the country's fastest growing airport in 2006, handling more than five million passengers - a 15.5 per cent increase over 2005. A $200 million, five-year expansion of the airport has been announced, to include a new terminal concourse, a larger enhanced transborder area, additional parking stalls and a hotel.

The Northern Alberta Institute of Technology announced a $750 million expansion plan that will make it the largest technical school in Canada and one of the largest in North America. Across the Saskatchewan River, the University of Alberta is being transformed by $1.7 billion of construction.

Forty-six per cent of Greater Edmonton residents have earned a post-secondary degree, diploma or certificate, making Edmonton one of the most educated workforces in North America. With eleven post secondary institutions, 157,000 students and an annual budget of $1.5 billion, the region's post secondary education sector generates a major economic influence that continues to grow.

City Council ratified a joint venture in 2006 between the University of Alberta and Edmonton Economic Development Corporation (EEDC), TEC Edmonton - Technology, Entrepreneur & Company Development. The unique partnership aims to capture economic and social benefit by helping local innovators transfer their research break-throughs into commercial successes.

Welcoming

The City of Edmonton is working with the provincial and federal governments to increase the number of immigrants who settle and stay in the Capital City. The University of Alberta, seat of the Prairie Centre of Excellence for Research on Immigration and Integration, is also helping the City and the Government of Canada attract and retain immigrants.

Known for its culturally diverse communities, Edmonton has experienced a significant shift from European immigration to immigration from the Middle East, Africa, and South and East Asia. The city is also welcoming thousands who have migrated to the Capital City from other provinces.

The City wants to ensure immigrants, initially attracted by Edmonton's thriving economy, settle in a supportive and receptive community and recommend Edmonton to their family and friends. In 2006, Edmonton established an immigration and settlement program to financially assist Edmonton organizations working with immigrants to ensure their successful integration into city life.

Key to that integration is availability of safe, affordable housing, reliable public transportation, and community organizations offering connection and social supports. The City of Edmonton is collaborating with community groups to develop these supports.

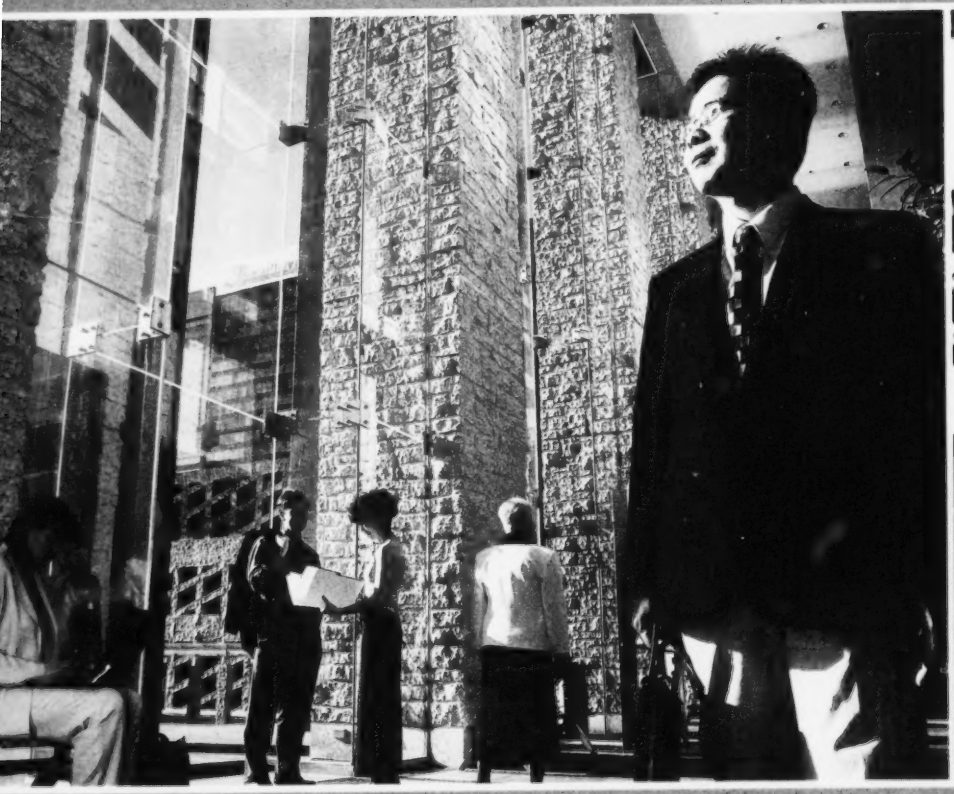
Immigrants to Edmonton report the City's quality of life, abundant recreational and entertainment choices, educational and economic opportunities, and the presence of family and friends are major factors in their decision to stay in the city.

The City also launched a new website www.movetoedmonton.com, to help encourage individuals thinking of immigrating or migrating to Edmonton. The site showcases Greater Edmonton's competitive advantages and the region's variety of ethnic communities.

1,000+
FACILITIES

$12.5M
REHAB

70%
RECYCLED



In a spring 2006 survey, Edmontonians gave a 96 per cent rating to our quality of life and a nine out of ten overall satisfaction rating with civic services. City recycling and waste services, the extensive park and trail systems, police services and recreation and cultural facilities/programs received high ratings. Infrastructure, roads, a safe environment and public transit were cited as the citizen's four most important issues.

Responsive and Responsible

growth management

The Edmonton region is poised for incredible growth over the next several years. The City of Edmonton recognizes that growth and change must be carefully managed to ensure future residents will enjoy our city's strengths. More people means more demand for transportation, housing and all city services.

The City of Edmonton Infrastructure Strategy was unanimously approved by Council to address the need for re-investment in existing infrastructure in an environment of robust economic growth, stringent environmental requirements and increasing expectations from citizens. Edmonton is working with the provincial and federal governments to understand and address the municipal infrastructure challenge.

In 2006, Edmonton began revising its ten-year Municipal Development Plan to establish direction for future land development and redevelopment decisions (Focus Edmonton). The Transportation Master Plan is also being revised to address the efficient movement of people and goods throughout the city in an environmentally sensitive manner.

Beyond the demand of our own population growth, Edmonton is extremely concerned about the impact to the city from the explosive growth of the communities immediately outside of our city limits. In 2007, the City of Edmonton will strongly advocate for the creation of a new regional growth strategy with a renewed governance, cost, and revenue sharing formula that acknowledges this impact.

Canada's greenest city

The City is a world leader in developing an environmentally sustainable community that functions in harmony with the natural environment.

Edmonton diverts an impressive 60 per cent of residential solid waste through reuse, recycling and composting – one of the few major Canadian cities to achieve more than 50 per cent.

The City is a world leader in wastewater recycling – the Gold Bar Wastewater Treatment Plant can supply up to 40 million litres a day of high-quality treated water to industry, reducing the need to draw water from the North Saskatchewan River.

Through the Aggregate Recycling program, the City has recycled more than four million tones of road construction rubble (asphalt and concrete), extending the life of our landfill by about five years and saving the City more than $5 million in 2006 alone.

Among the City's many other environmental initiatives are the CO2RE (Carbon Dioxide Reduction Edmonton) program, a new and more efficient Enviso Spill Reporting Centre and the only operation in Alberta turning landfill gas into electricity. Soon, the City and its partners, the Alberta Energy Research institute and EPCOR, will build a gasification facility to convert municipal waste into electricity.

$106M
IMPROVEMENTS

4TH
LOWEST TAX RATE

57.5M
EDMONTON TRANSIT

Responsive and Responsible

growth management

continued

Transportation

The effective movement of people, goods and emergency services is key to managing, and benefiting from, the growth of the Edmonton region. Several transportation projects were completed in 2006 to increase traffic flow and safety.

A $64 million interchange at Yellowhead Trail and 156 Street opened in October and has significantly increased traffic flow from the west of the city. The City also completed a major $12.5 million rehabilitation to the City's Low Level Bridge, one of the bridges responsible for moving people across the river and in and out of the downtown area. The completion, by the Province, of the $310 million Anthony Henday Drive Southwest, has helped alleviate traffic congestion to the city's high growth southwest residential areas.

Edmonton's public transit system got a significant boost with approval to further extend the Light Rail Transit (LRT) system three additional stops to southwest Edmonton by 2009. This South LRT extension is expected to relieve the pressure on the major arterial roads from south Edmonton and will connect people from several of the city's new residential developments. The LRT will run 20.3 kms. from north to south Edmonton and will be a major factor in managing the city's transportation system.

Edmonton was one of six Canadian cities to receive federal funding to increase security on its public transit system. Edmonton invested a portion of its $2.2 million federal grant in increasing the number of closed circuit televisions and providing increased lighting. This investment adds to Council's earlier initiative of introducing Transit Special Constables in 2006 to help ensure security and safety of transit users and operators.

Housing

Edmonton committed $5 million to our Cornerstones Affordable Housing Program to increase the number of rental units available to lower income households and help meet Edmonton's growing need for affordable and social housing.

As part of the program, the developer of a 750-unit project will meet City Council's objective of including five per cent social housing in all new major developments.

A unique, made-in-Edmonton program will also introduce up to 1,000 new homes to the market to help ease Edmonton's new home crunch. Edmonton's First-time Homebuyers Program will transform up to 20 unused school sites in city neighbourhoods into potential locations for affordable new homes. Proceeds from the eventual sale of the land will be split equally between the City of Edmonton and the school boards.

120

RECRUITS

5.4M

LIBRARIES

145

VOLUNTEER

Edmonton's future

what's ahead

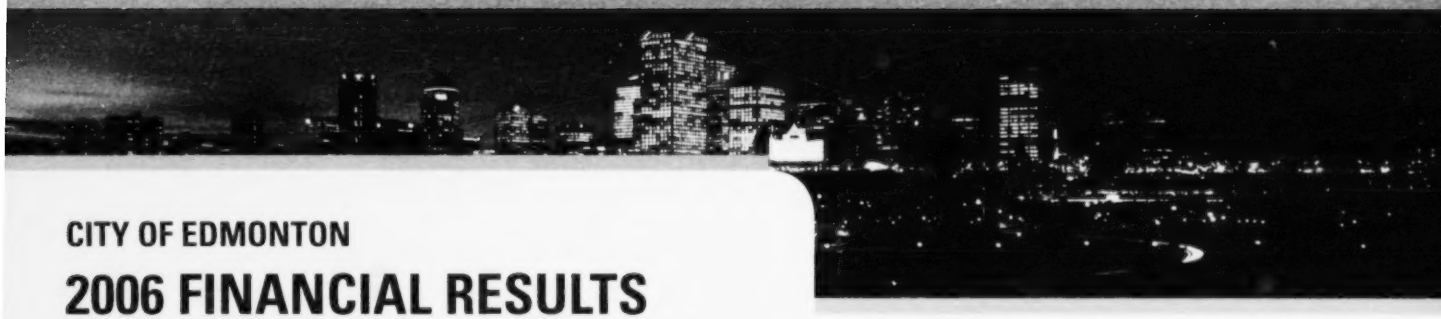
In 2006, Edmonton had one of the fastest growing economies in the country. Though we are indeed fortunate to be in the midst of such prosperity, rapid growth has its challenges.

With economic indicators pointing to a continuing bright future for Edmonton, the City will need to focus once again in 2007 on identifying revenue streams that help us address our growing infrastructure gap. To help accomplish this, Edmonton is urging greater participation from the provincial and federal governments in funding the much needed infrastructure investments created by the current economic boom.

Projections that Edmonton will experience a 10-year population increase in just five years will result in the need to balance demand for City services to new residential developments with a program of longer term, sustainable investment in the aging infrastructure of our older communities.

Edmonton's rapidly expanding population is attracting people from other countries, adding a much-needed boost to the city's tight labour market. The City of Edmonton is working with the provincial and federal governments to help ensure all newcomers feel welcome in our city and continue to live and work here. The City's Office of Diversity and Inclusion is working to ensure our own City workforce broadly represents the communities we serve.

Municipal government is often said to be closest to those its serves. Through 2006, the City of Edmonton reached out to the community, listening to citizens, asking for input on transportation and land use issues, community facilities and more. The conversation will continue in 2007 as the City works with Edmontonians to face the challenges and changes presented by growth, and create a vision of our community's future.



CITY OF EDMONTON

2006 FINANCIAL RESULTS

The City of Edmonton 2006 financial results show solid fiscal management at a time of unprecedented growth. Tax-supported operations achieved a modest $11.2 million surplus, a net 0.9 per cent of the expenditure budget. Increased revenue from a strong local economy was partially offset by increased winter road maintenance costs and other expenditures to meet the growing service needs. Revenues increased through:

- Growth in user fee funded areas such as transit, waste management, licenses and development permits.
- Higher than budgeted investment earnings due to interest rate increases and continued strong capital market performance.
- Additional government transfers to fund community, transportation and other municipal services.

The tax-supported surplus is added to the Financial Stabilization Reserve, available to address future emerging needs and to provide flexibility in times of revenue instability. With this addition, the target level - seven per cent of general government operating expenditures, to a maximum of $85.0 million - will be reached in the Reserve. The excess of $4.9 million has been approved for affordable housing initiatives, to provide support for the Ukrainian Canadian Archives and to fund activities which have carried forward into the 2007 calendar year.

Included in this document are tables and charts outlining the 2006 revenues, expenditures and fund transfers for the tax-supported programs and services the City provides. Summarized information on utility and subsidiary operations is included in the table, Other Financial Information.

Consolidated financial statements, as audited by the independent accounting firm of Deloitte and Touche LLP, form part of the 2006 City of Edmonton Annual Report. The Annual Report is available for review on the City of Edmonton web site at **www.edmonton.ca**, or at any public library location.

WHERE THE MONEY TO RUN THE CITY COMES FROM

(millions of dollars)

Property tax
Service fees
Dividends - EPCOR Utilities Inc.
Business, local improvement and other taxes
Investment earnings, penalties and fines
Bus and light rail transit
Franchise fees
Government transfers *
Transfers from surplus, reserve and capital funds
Licenses, permits and parking
Ed Tel Endowment Fund
2006
2005
0 50 100 150 200 250 300 350 400 450 500

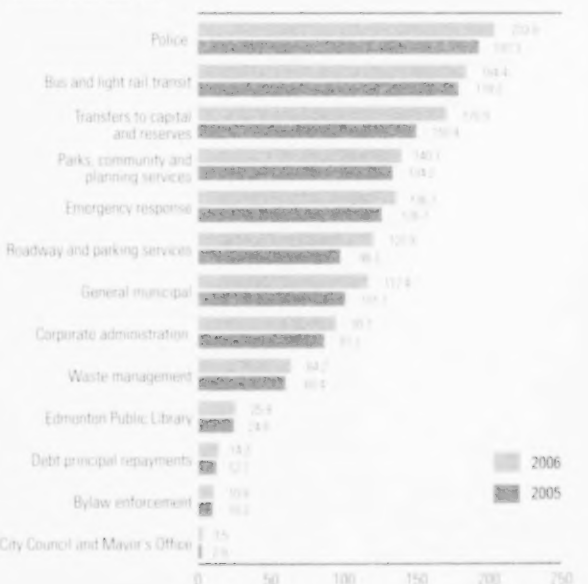
*Government transfers include transfers in lieu of tax.

YOUR PRIORITIES

Edmontonians have said that some of their top priorities for increased funding are police services, public transit and road maintenance. This year, we continued to increase the investment for these priority areas.

SERVICES SUPPORTED

(millions of dollars)



SUMMARY OF MUNICIPAL OPERATIONS (Note 1)

For the Year Ended December 31, 2006

Revenues (in thousands of dollars)	**Budget 2006**	**Actual 2006**
Taxation		
Property	$ 489,108	$ 490,927
Business	96,544	97,640
Government transfers in lieu of tax	16,808	16,421
Local improvements	10,390	9,856
Other	2,200	3,065
	615,050	617,909
General municipal services and other	116,355	128,944
Bus and light rail transit	72,238	76,744
Franchise fees	72,417	72,379
Government transfers	44,044	50,866
Investment earnings	29,415	42,555
Ed Tel Endowment Fund contribution	37,860	37,823
Fines and penalties	35,255	36,046
Licenses and permits	31,254	35,823
Parking	9,007	10,399
Municipal revenues before transfers and dividends	1,062,895	1,109,488
Dividends from EPCOR Utilities Inc.	125,100	125,100
Transfer from operating surplus	51,546	51,656
Transfer from reserve fund	18,674	12,135
Transfer from capital fund	-	856
Total Municipal Revenues	**$ 1,258,215**	**$ 1,299,235**

Expenditures (in thousands of dollars)	**Budget 2006**	**Actual 2006**
Police	$ 205,182	$ 203,766
Bus and light rail transit	181,975	184,356
Emergency response	138,861	136,687
Roadway and parking services	108,669	120,904
General municipal (Note 3)	112,083	117,365
Corporate administration (Note 2)	95,081	95,144
Parks and recreation	87,581	92,343
Waste management	61,570	64,236
Community and family	29,061	28,204
Edmonton Public Library	25,917	25,917
Planning services	19,402	19,660
Bylaw enforcement	10,384	10,813
City Council and Mayor's Office	3,793	3,450
Municipal expenditures before transfers and debt principal repayments	1,079,559	1,102,845
Debt principal repayments	13,069	14,274
Transfer to reserve fund	51,145	57,279
Transfer to capital fund (Note 4)	114,442	113,673
Total Municipal Expenditures	**1,258,215**	**1,288,071**
Excess of revenues over expenditures	**$ -**	**$ 11,164**

Notes to Summary of Municipal Operations:

1. Budget and Actual 2006 figures are consistent with those included in the City's audited consolidated financial statements.
2. Corporate administration consists of personnel and administrative costs for Corporate Services, Assessment and Taxation, Corporate Business Planning, and Offices of the City Manager and City Auditor.
3. General municipal expenditures consist of accommodation expenditures, tax expenditures, grants provided, subsidies to miscellaneous Boards and Authorities and general financial costs.
4. Transfer to capital fund represents pay-as-you-go funding from general revenue for capital projects.

OTHER FINANCIAL INFORMATION

For the Year Ended December 31, 2006

(in thousands of dollars)	Revenues	Expenditures	Net income	Contribution to municipal operations
EPCOR Utilities Inc.	$ 3,318,778	$ 2,676,681	$ 642,097	$ 161,800
Ed Tel Endowment Fund (unaudited)	61,559	1,709	59,850	37,823
Sanitary Drainage Services (unaudited)	105,855	73,639	32,216	12,868
Land Drainage Services (unaudited)	17,212	10,806	6,406	
Edmonton Economic Development Corporation	26,616	25,971	645	
Edmonton Public Library	33,379	33,078	301	

The financial results provided above are consistent with those reported in the annual financial statements for the respective organizations or operations. The contribution to municipal operations reflects the amount, excluding taxation, included in the Summary of Municipal Operations. Edmonton Economic Development Corporation revenues include $11,241 of tax levy funding. Edmonton Public Library revenues include $ 25,917 of tax levy funding.

THE CITY OF Edmonton

Information on The City of Edmonton
is available through the internet

www.edmonton.ca

Inquiries may also be directed:

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THE CITY OF Edmonton